

# IRS News Release

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## **IRS Simplifies Tax Deposit Rules for Small Businesses**

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WASHINGTON — The Internal Revenue Service today announced it will increase the minimum threshold for Federal Unemployment Tax Act (FUTA) deposits, a move that will reduce burden for more than 4 million small businesses.

Under the new rules effective January 1, 2005, employers are required to make a quarterly deposit for unemployment taxes if the accumulated tax exceeds \$500. The current threshold is \$100.

“The IRS is committed to reducing burden on taxpayers whenever we can,” said IRS Commissioner Mark W. Everson. “The new rules will help cut paperwork for millions of small businesses. The IRS Office of Taxpayer Burden Reduction is continually reviewing what other steps we might take that will save money and time for businesses.”

The maximum amount the IRS collects from employers per employee is \$56 per year, if the employer timely made state unemployment tax payments. The current \$100 threshold requires most employers with two or more employees to make at least one federal tax deposit per year. Raising the requirement to \$500 will reduce burden for employers with eight employees or less by eliminating their requirement to make up to four FUTA tax deposits yearly.

The \$100 minimum deposit threshold was established in 1970.